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## CHINA UPDATE

### Quote of the Week

*“As I have said before, our two nations are trying to do something that has never been done in history, which is to write a new answer to the question to what happens when an established power and a rising power meet. Both President Obama and I have said frequently that the United States welcomes the rise of a strong, prosperous, and peaceful China. We want China to succeed in delivering economic opportunity to the Chinese people. That will, in turn, have a positive impact on the global economy. We want China to play a greater role in global affairs. That strengthens global stability, and helps solve urgent challenges. And we are convinced that our two countries gain far more when we cooperate with one another than when we descend into unhealthy competition. So we are committed to managing our differences effectively and expanding our cooperation wherever and whenever possible.”* – Secretary of State Hillary Clinton in remarks with Chinese Foreign Minister Yang Jiechi in the Great Hall of the People, Beijing, China, September 5, 2012

### Secretary Clinton in China

Secretary Clinton was in Beijing September 4-5, during a trip that also took her to the Cook Islands, Indonesia, Timor-Leste, Brunei, and Russia. In China she met with senior Chinese leaders, including Foreign Minister Yang Jiechi. Discussions covered a wide range of topics of importance to the U.S.-China relationship as part of the State Department’s efforts to build a cooperative partnership, including preparations for Asia-Pacific Economic Cooperation (APEC) and other upcoming multilateral meetings and numerous bilateral, regional, and global issues. A transcript of the Secretary’s remarks with Foreign Minister Yang can be found [here](#). The Secretary also met with the U.S. Ambassador to China Gary Locke and staff at the American Embassy. A transcript of the statements by Ambassador Locke and Secretary Clinton can be found [here](#).

### **APEC: 20<sup>th</sup> Annual Leaders' Meeting**

On September 8-9 Secretary Clinton attended the 20<sup>th</sup> Annual Asia-Pacific Economic Cooperation (APEC) Leaders' Meeting in Vladivostok, Russia. In remarks at the APEC CEO Summit at the Far Eastern Federal University, Secretary Clinton said that rising standards of living and a more broadly shared prosperity have been a centerpiece of American bilateral diplomacy, including the U.S-China Strategic & Economic Dialogue (S&ED). Her full remarks can be found [here](#). During press availability at the U.S. Consulate General in Vladivostok, Secretary Clinton addressed the ongoing territorial dispute in the South China Sea, saying that "now is the time for everyone to make efforts to reduce the tensions and strengthen diplomatic involvement for resolving these tensions." Her full remarks can be found [here](#). Following the conclusion of the Leaders' Meeting, the State Department issued a Fact Sheet highlighting the U.S. trade benefits from APEC and the accomplishments of the meeting. It can be found [here](#).

### **Canada and China Sign Investment Pact**

While attending APEC, trade ministers from Canada and China signed an investment pact that has been 18 years in the making. China's Ministry of Commerce said in a statement that the agreement contains the widest range of investment agreements China has ever signed with any country.

### **House Foreign Affairs Committee Hearings, Markup, and News**

On September 12 the House Foreign Affairs Subcommittee on Oversight and Investigations and Subcommittee on Africa, Global Health, and Human Rights will hold a hearing on "Organ Harvesting of Religious and Political Dissidents by the Chinese Communist Party." Providing testimony will be Damon Moto, M.D., spokesman for Doctors Against Forced Organ Harvesting; Gabriel Danovitch, M.D., Professor of Medicine at UCLA Medical School; Charles Lee, M.D., spokesman and Public Relations Director for the Global Service Center for Quitting the Chinese Communist Party; and Ethan Gutmann, Adjunct Fellow at the Foundation for the Defense of Democracies, and author of "Losing the New China."

Also on September 12 the full House Foreign Affairs Committee will hold a hearing on "Beijing as an Emerging Power in the South China Sea." Providing testimony will be Toshi Yoshihara, Ph.D., professor and Chair of Asia-Pacific Studies at the U.S. Naval War College; Bonnie Glaser, Senior Fellow at the Center for Strategic and International Studies; Peter Brookes, Senior Fellow for National Security Affairs at The Heritage Foundation, and former Deputy Assistant Secretary of Defense for Asian and Pacific Affairs; and Richard Cronin, Ph.D., Director of the Southeast Asia Program at the Stimson Center. The committee announcement of the hearing, with a statement by Chairman Ileana Ros-Lehtinen, can be found [here](#).

As part of the full committee hearing, the committee will also markup H.R. 6313, a bill to promote a peaceful and collaborative resolution of maritime territorial disputes in the South China Sea and its environs and other maritime areas adjacent to the East Asian mainland. The legislation can be found [here](#).

On August 30 Chairman Ros-Lehtinen issued a press release calling for the enforcement of sanctions against Iran, following reports that Chinese banks have routed money on behalf of Iranian banks. That statement can be found [here](#).

Finally, the committee expects that this week the full House will take up S. Con. Res. 17, expressing the sense of Congress that Taiwan should be accorded observer status in the International Civil Aviation Organization (ICAO). The resolution was approved by the Senate in September 2011 and can be found [here](#).

### **China's Hengqin New Area Granted Administrative Powers**

On August 22 the Chinese government announced that the central government-directed development zone known as Hengqin New Area will be granted administrative powers to register foreign businesses and offer corporate tax breaks. The zone is located on an island between Zhuhai in Guangdong province and the Macao Special Administrative Region. This is a diversion from standard policy, which typically only grants such powers to authorities at the provincial level. The new administrative powers will be undertaken by the Hengqin Trade and Industry Bureau.

### **China Plans New Anti-Corruption Five-Year Plan**

China's Central Commission for Discipline Inspection of the Communist Part of China (CPC) is expected to issue, by mid-2013, a new five-year plan to rein in corruption and bribery among government officials. This will be China's second anti-corruption plan, and has been in development since May 2010.

### **WTO Rules Against China on Market Access for Electronic Payment Services**

On August 31 the World Trade Organization's Dispute Settlement Body adopted a ruling that supported U.S. charges that China unfairly blocks access to its market for electronic payment services. The two countries will now begin negotiations to set a deadline for Chinese compliance with the panel's findings. However, the Chinese have argued that the ruling will have little real impact since the panel affirmed that China's accession to the WTO in 2001 did not include a commitment by China to open its electronic payment services market to firms without a physical presence in China.

### **New Energy Designation Areas in China**

China's 12<sup>th</sup> Five-Year Plan includes a goal to develop 100 new-energy demonstration cities. On August 13 China's National Energy Administration issued a notice that in order to be designated a new-energy demonstration area, Chinese cities will be required to demonstrate that they have plans to achieve 6% of their energy needs from renewable sources by the end of 2015. Eligible plans must include at least two renewable sources such as wind, solar, biomass, or geothermal.

### **House Intelligence Committee Hearing**

On September 13 the House Intelligence Committee will hold a hearing on "Investigation of the Security Threat Posed by Chinese Telecommunications Companies Huawei and ZTE." Providing testimony will be representatives of Huawei and ZTE. A press release from the committee can be found [here](#).

### **China Approves Infrastructure Spending**

China's National Development and Reform Commission has approved \$157 billion in spending on 60 infrastructure projects in an effort to counter the economic downturn there. This figure amounts to 2.1% of the Chinese economy.

### **China Sets Goals for Increased Desalination of Water**

On August 29 China's Ministry of Science and Technology and the National Development and Reform Commission announced that, as part of the 12<sup>th</sup> Five-Year Plan, China has set a goal of producing 2.2 million to 2.6 million metric tons of desalinated water by 2015. The plan requires that 75% of equipment used for desalination facilities be domestically manufactured, with manufacture of the equipment expected to generate \$1.18 billion to \$1.57 billion annually by 2015.

### **China Expedites Climate Change Projects**

On August 29 China's National Development and Reform Commission announced that it has expedited approval of Clean Development Mechanism (CDM) projects for consideration by the United Nations Framework Convention on Climate Change. Under CDM, greenhouse gas emissions reduction projects in developing countries are able to earn certified emission reduction credits that can then be purchased by industrialized countries.

### **China Encourages Industry to Head West**

On August 31 China's State Council released a paper regarding the government's strategy for promotion of development in six central regions. As a part of the strategy, the government has encouraged industries to move from the eastern coastal provinces, which are typically more prosperous, to the central and western provinces which are less developed. The six provinces are Shanxi, Henan, Anhui, Hubei, Hunan, and Jiangxi. The goal of the project is for the provinces to have an average annual growth rate higher than the national level by 2020, and will focus on the development of industries including: biomedicine, information technology, equipment manufacturing, new energy and new materials, automotive, large machinery, ultra-high voltage power transmission equipment, and railway and other transportation equipment.

### **Flexible Post-2020 Climate Goals**

Delegates to the most recent round of the United Nations climate talks said September 5 that a new negotiating stance from the U.S., with support from China, India, and Russia, for the post-2020 period was emerging that called for flexible and dynamic rather than binding rules. The August 30 – September 5 Bangkok talks, designed to set the stage for progress at this year's 18<sup>th</sup> Conference of the Parties to the U.N. Framework Convention on Climate Change in Qatar, are the first time proposals for the post-2020 period have been discussed without referring to some type of binding action from all countries as agreed to in the Durban Platform at last year's climate change summit.

### **Pollution Incidents on the Rise in China**

A report prepared by the Policy Research Center for Environment and Economy, and issued by China's Ministry of Environmental Protection on September 4, says that the number of serious pollution incidents among companies listed on China's stock exchanges has dramatically increased over the past year, while public disclosure of such incidents has been lacking.

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